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# Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 COME-00 EB-08 OMB-01 STR-07 TRSE-00
ACDA-12 CIAE-00 DODE-00 INR-10 NSAE-00 PA-01
ICA-11 SP-02 PM-05 NSC-05 SS-15 /090 W
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R 290727Z AUG 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 3156
AMEMBASSY TAIPEI

C O N F I D E N T I A L SEOUL 7644

E.O. 11652: GDS
TAGS: ETRD
SUBJ: SAMSUNG EXPECTS TO BE DESIGNATED DEFENSE INDUSTRY
FOR JET ENGINES

1. SAMSUNG HAS APPROACHED THIS EMBASSY FOR THE THIRD TIME REPORTING A HIGH AND GROWING INTEREST IN JET ENGINES. THE INITIAL APPROACH SUGGESTED THAT THE INTEREST WAS PRINCIPALLY IN POWER GENERATION, BUT SUBSEQUENTLY, THE INTEREST HAS REFOCUSED ON AIRPLANE JET ENGINES, MOST PARTICULARLY ON MILITARY.

2. THE REFOCUS HAS IN PART BEEN SPARKED BY AN ROKG DECISION, ANNOUNCED IN THE PRESS LAST SUNDAY TO BEGIN TO PRODUCE FIXED-WING COMBAT AIRCRAFT ASAP, FOLLOWING A BLUE HOUSE DECISION ANNOUNCED AT A MEETING OF CABINET MINISTERS AND DEFENSE INDUSTRIALISTS LAST SATURDAY.

3. SAMSUNG WAS ABLE TO TELL US THAT KOREAN AIR LINES WOULD PROBABLY BE DESIGNATED THE DEFENSE CONTRACTOR FOR AIRFRAMES AND WOULD CONTINUE TO DO ITS OWN CIVILIAN ENGINE MAINTENANCE. SAMSUNG HAD HEARD FROM SECRET SOURCES THAT IT WOULD GET THE NOD FOR MILITARY
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ENGINES, BUT IT ALSO ADMITTED TO SOME NERVOUSNESS THAT OTHER COMPANIES WOULD LIKE TO GET THE BUSINESS AND WOULD PRESS SAMSUNG.

4. AMBASSADOR SUGGESTED TO SAMSUNG THAT THERE WERE ANY NUMBER OF PROBLEMS, INCLUDING TECHNICAL COMPLEXITY, HIGH COSTS WITH LIMITED MARKETS, QUALITY REQUIREMENTS,

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AND LIMITS ON TECHNOLOGICAL TRANSFER FROM THE U.S.,
ALL OF WHICH SUGGESTED CAUTION AND A STAGED APPROACH BEGINNING
WITH OVERHAUL. HE NOTED THAT THE ROC HAD PROGRESSED TO QUITE COMPLEX
OVERHAUL OPERATIONS FOR BOTH THE ROC AND U.S. AIRFORCES. SAMSUNG
MIGHT THEREFORE WANT TO LOOK INTO WHAT THE MARKET FOR ITS SERVICES
WOULD BE (WE OBVIOUSLY UNABLE TO DISCUSS THE MOVE OF AIR ASIA OUT OF
THE ROC AT THIS TIME).

5. SAMSUNG INDICATED IT WAS AWARE OF THE PROBLEMS
AND WOULD MOVE CAREFULLY, BUT THAT THE PROPOSAL
ALSO OFFERED GREAT OPPORTUNITIES. IT PROPOSED TO
TRY TO TALK TO BOTH GE (F-4 AND F-5 ENGINES) AND
PRATT AND WHITNEY (F-15 AND F-16 ENGINES) IN EARLY
SEPTEMBER. THEY ASKED FOR USG BLESSNG. WE RE-
SPONDED THAT THEY WERE FREE TO APPROACH U.S.
COMPANIES AND TO EXPLORE MANY AREAS, BUT THE USG
WOULD ULTIMATELY DETERMINE HOW MUCH EITHER SUPPLIER
COULD TELL SAMSUNG.

6. COMMENT: THE ROKG HAD PLANNED TO GET INTO THE PRO-
DUCTION OF SOME MILITARY AIRCRAFT IN THE 1980'S. IT HAS
MOVED THE TIMETABLE UP. THE MENTION OF F-16 PRODUCTION
IN THE NEWSPAPER REPORTS SUGGESTS THAT THE SCM DECISION
ON THAT MATTER HAS BEEN IMPERFECTLY COMMUNICATED TO THE
HIGHEST LEVEL OF THE ROKG. IT REMAINS UNCLEAR HOW FAR
THE ROKG REALLY IS PREPARED TO PRESS ON AIRCRAFT PRODUCTION,
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I.E., WHETHER THE ROKG MAY BE CONTENT FOR SOME TIME WITH A
"POTEMKIN" PRODUCTION, AS IT IS NOW WITH TANKS. WE WILL
CONTINUE TO CAUTION KOREAN OFFICIALS AND BUSINESSMEN ABOUT
THE COMPLEXITY AND SPECIAL PROBLEMS OF AIRCRAFT PRODUCTION,
SUGGESTING THAT THEY REFRAIN FROM EXPENSIVE DECISIONS UNTIL
THEY HAVE ACQUIRED SOME EXPERIENCE THROUGH OVERHAUL OPERATIONS.
ONCE WE ARE IN POSITION TO DISCUSS AIR ASIA MORE, IT IS
POSSIBLE WE CAN TURN ROK DESIRES INTO PRACTICAL CHANNELS.
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# Message Attributes

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